

MINUTES

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES

Wednesday, January 16, 2007

1:30 PM

Room 643, Legislative Office Building

The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services met on Wednesday, January 16, 2007, at 1:30 P.M. in Room 643 of the Legislative Office Building. Members present were Senator Martin Nesbitt, Co-Chair; Representative Verla Insko, Co-Chair; Senators Austin Allran, Janet Cowell, Charlie Dannelly, Vernon Malone, and William Purcell and Representatives Martha Alexander, Jeff Barnhart, Carolyn Justice, Edd Nye and Fred Steen. Advisory members, Senator Larry Shaw and Representatives Jean Farmer-Butterfield and Earline Parmon were present.

Kory Goldsmith, Ben Popkin, Shawn Parker, Andrea Russo-Poole, Natalie Towns and Rennie Hobby provided staff support to the meeting. Attached is the Visitor Registration Sheet that is made a part of the minutes. (See Attachment No. 1)

Senator Martin Nesbitt, Co-Chair, called the meeting to order, welcoming members and guests. He said that the main goal for today's meeting was to get direction from the committee on what to include in the report to the General Assembly.

Senator Nesbitt asked Leza Wainwright, Deputy Director of the Division on Mental Health, Developmental Disability and Substance Abuse Services, to give a brief overview of the Long-Range Allocation Model. (See Attachment No. 2) She explained that this report looked at alternative ways to allocate State dollars since historically there did not seem to be any rhyme or reason as to why one LME received more money than another. Ms. Wainwright said this model looked at how to fund the services that the gap model predicted were needed. The model provides an unbiased mechanism of bringing the highs and lows closer together. She said the first step was to bring in what the GAP model says is needed and estimate how much of the total funding needs can be addressed to Medicaid. Once the need is known and Medicaid has been estimated, the next step is to look at the amount of Division dollars currently allocated to each LME to meet the remainder of that need. After factoring out the existing State dollars going to an LME, the balance would be drawn from other funding sources such as appropriations from the General Assembly, county funds, private insurance, etc. Ms. Wainwright said that the third largest source of funding for the system were county dollars which funds approximately \$120 million. She said the model did have the ability to factor in county dollars and a work group was looking at if and how that should be done perhaps using a tiered approach.

Ms. Wainwright then gave several financing recommendations which included: 1) Expand Medicaid eligibility – would require action from the General Assembly; 2) Pursue Medicaid waivers; 3) Increase cost sharing under Medicaid; and 4) Standardized first party payments and third party collection protocols. She was asked if the Department was looking at implementing some of the recommendations on their own. Ms. Wainwright said the Department was looking at recommendations that could be implemented administratively and some that could be implemented through legislation.

Senator Nesbitt asked staff to respond to the comments made by Ms. Wainwright. Kory Goldsmith, Research Division, reminded the committee that the deliverables from the consultants were reports given to the committee and mathematical models used to generate estimates of additional funding. She said that staff had requested the methodology for the models from the consultant and the Division. To date, the methodology had not been received. She pointed out that in the past, the LOC and the Department had used mathematical models to determine funding and there had been discrepancies in the model that were corrected, but not known originally. Andrea Russo-Poole, Fiscal Research, gave examples of some of the discrepancies in the funding allocation model. One example involved a projected funding increase to equalize LME to LME discrepancies. However, the model generated a cut in State funding for Mecklenburg County, and of the counties that receives the fewest State dollars per capita. She said that staff recommended that the committee retain an independent party to forensically deconstruct the model in order to understand the methodology and to verify the model's accuracy. Senator Nesbitt acknowledged that the methodology for the reports was flawed. He said the first report was based on a number of assumptions some of which were incorrect. He also wanted to stress that in the report there had been no recommendation to cut services to DD. The consultant's report stated that North Carolina does a better job serving individuals with DD than mental illness or substance abuse problems. Senator Nesbitt said in his opinion, the system needed \$500 million, not \$2.7 billion. In the report, \$2.7 billion covered all the needs over a period of five years. He said that \$500 million would put North Carolina close to the state average in spending and we would be far ahead of where we are now. Representative Insko stated that the money appropriated needed to be spent wisely and that we needed to look at the money in the current system to see if it could be better spent. She also stated that the allocations report was a good model, but a better understanding of the methodology was needed in order to put it to good use.

Senator Nesbitt asked staff to review proposed options for possible legislation. (See Attachment No. 3) Kory Goldsmith stated that the committee had been provided possible options for consideration from committee discussions over the interim. Committee members engaged and discussed each of the seventeen options and offered feedback on each of the options. The Co-Chairs directed staff to go back and craft proposals based on discussions. Senator Nesbitt suggested that the size and speed of building the new State hospitals also be considered. He said that if the hospitals were going to be downsized, something must be done before construction starts.

Senator Nesbitt told members that the next meeting would be held after session starts, probably an evening meeting. He said the final report would be ready by the end of February for the committee's review.

There being no further business, the meeting adjourned at 5:50 PM.

Senator Martin Nesbitt, Co-Chair

Representative Verla Insko, Co-Chair

Rennie Hobby, Committee Assistant